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THE IMPACT OF INFLATION ON THE OFFICE OF MEDICAL SERVICES

I. Background

a. The problem is to assess the impact of inflation on the Office of Medical Services over the period FY 1967 - FY 1974, and to estimate the impact of continued or future inflation.

b. Attached is a tabulation of Obligations, Current and Constant Dollars for the OMS, with an added column showing the number of OMS personnel paid each year in the series. Also attached is a graph of this tabulation. Since FY 1970 the OMS authorized (staff) personnel ceiling has been reduced each year. Personnel compensation rates, supergrade personnel excepted, have been increased steadily over this period.

II. Discussion

a. OMS, as an office, has not been seriously directly affected by inflation except in one area, the area of physician recruitment. Our ability to attract physicians has been somewhat compromised as the incomes of physicians in the private sector have forged ahead of salaries of Government physicians. For example, whereas salaries of our medical officers may not exceed \$36,000, the median salary for general practitioners in the United States is

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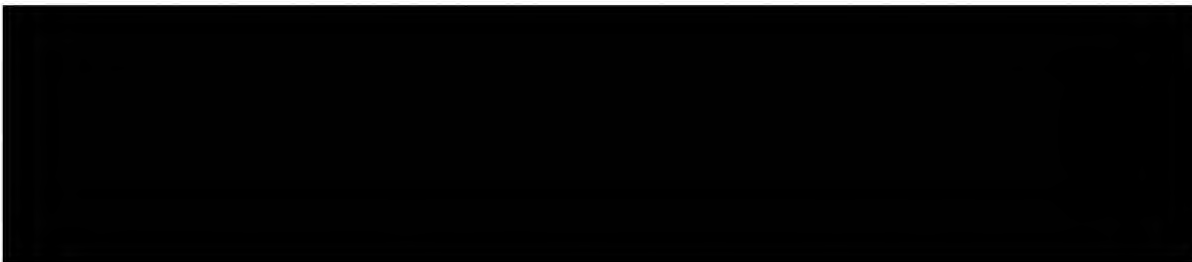
\$46,750, and salaries for emergency room physicians are well over \$50,000 (Medical Economics, November 1974).

b. The impact of inflation has been recognized by the US military services. In October 1974 the pay and special allowances for military medical officers were substantially increased (Executive Order 11812) so that the compensation, particularly in the higher grades, greatly exceeds the compensation of their civilian counterparts in the Federal Government.

c. Recent serious shortages of physicians in the Veterans Administration have led to the submission in January 1975 of a bill (HR 1545) which, if enacted, will provide a flat 25% increase in VA medical officer salaries.

d. There has been an indirect impact of inflation on the OMS. As the OMS ceiling authorization has decreased and more funds have been required to pay the same or fewer employees, justifiable requests for additional personnel needed for additional requirements have had to be denied. For example,

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restraints, to provide appropriate professional response to such requirements has had a deleterious effect on program

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development.

e. There is also a real and direct personal impact of inflation on individual OMS employees, and particularly on senior supergrade personnel, some of whom are receiving the same compensation they received in 1968.

f. There is currently no provision of course for compensating for inflation in our budget requests. Our current practice in physician recruitment, when we cannot meet the salary demands of an applicant, is to seek out another applicant in the hope that whatever advantages Agency employment may offer will attract a physician despite our inability to compete with salaries in the private sector.

g. In the area of physician recruitment no alternative to our present procedures is apparent. Over the long run, Federal salaries for physicians must, in our judgment, be raised if competent physicians are to be attracted and retained.

h. With regard to not being able to accept apparently genuine new requirements because of personnel/funds limitations, a theoretical alternative might be the adoption of a policy whereby the requester of such assistance involving significant additional resources be required to provide for or in some way pay directly for the costs of undertaking the requirements. This however would amount to shifting the burden and would not be an economically rational solution for the Agency as a whole. It would also be inconsistent with

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our traditional service philosophy.

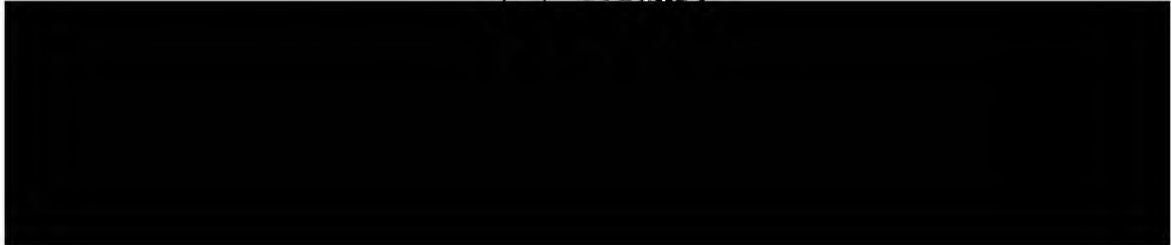
III. Conclusions

a. The direct impact of inflation on the OMS has not been serious. Over the long run, however, we are concerned about the implications of inflation on (1) physician recruitment, and (2) program development.

b. Our recommendations are:

(1) The Agency make appropriate representation, along with other Federal agencies, toward increasing the salaries of Federal physicians.

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Attachments

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